

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1689 – SB 1375

March 15, 2011

SUMMARY OF BILL: Authorizes franchise and excise tax credits equal to five percent of the purchase price of Tennessee goods and services to franchise and excise taxpayers, provided the cost of the good or service exceeds \$100. Defines “Tennessee good” as any item of tangible personal property that has been produced, processed, fabricated, or manufactured in this state, including, but not limited to, transportation equipment, chemical manufactures, computers and electronic products. Defines “Tennessee service” as any service offered by a business incorporated in Tennessee, that has its principal place of business in Tennessee, or that has an established physical presence in Tennessee. Establishes carry-forward provision for tax credits up to 15 years. Requires the Commissioners of Revenue and Economic and Community Development to promulgate rules and regulations.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$75,487,500

Assumptions:

- According to the Department of Revenue, manufacturing sector and service sector sales in Tennessee for FY09-10 totaled approximately \$13.42 billion. This number is assumed to remain constant in subsequent years.
- Fifteen percent of sales and services will exceed \$100 in price.
- Twenty-five percent of sales and services will be to persons or entities with no franchise or excise tax liabilities.
- The recurring decrease in state revenue will be \$75,487,500 ($\$13,420,000,000 \times 15.0\% \times 75.0\% \times 5.0\%$ tax credit).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc